City and County of San Francisco

OFFICE OF THE CONTROLLER

CONCESSION AUDIT REPORT:

American Airlines

January 1, 1996 through December 31, 1998

DOCUMENTS DEPT.

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Audit Division

Audit Number 99020

December 21, 1999

Edward Harrington
Controller

December 21, 1999

San Francisco Airport Commission
San Francisco International Airport
San Francisco, CA 94128

President and Members:

The Controller's Audits Division presents its report concerning the concession audit of American Airlines (American). American operates under a lease and use agreement with the Airport Commission (Commission) of the City and County of San Francisco to use the landing field facilities at the San Francisco International Airport (SFO) for its air transportation business.

Reporting Period: January 1, 1996 through December 31, 1998

Landing Fees Paid: $7,296,780

Results:

In all material respects, American Airlines correctly reported the number of aircraft landings and correctly paid its fees to the Airport Department.

Respectfully submitted,

NORIAKI HIRASUNA
Director

INTRODUCTION

American Airlines (American) operates under a 30-year lease and use agreement with the City and County of San Francisco's Airport Commission (Commission) to use the landing facilities at the San Francisco International Airport (SFO) for the operation of its air transportation business. American entered into this agreement on July 1, 1981. The agreement will expire on June 30, 2011 unless terminated by either party with proper written notice. The agreement requires American to submit to the Airport Department (Airport) a monthly report showing its actual revenue aircraft landings by type of aircraft and other landing data necessary to calculate the landing fees.

The Airport charges American a landing fee based on the maximum landing weight of aircraft making revenue landings at the SFO. For every 1,000 pounds of aircraft landed, the Commission sets a fee that it may change annually. For the period we reviewed, the Commission set a fee of $0.884 for fiscal year 1995-96, $1.059 for fiscal year 1996-97, $1.300 for fiscal year 1997-98, and $1.465 for fiscal year 1998-1999.

SCOPE AND METHODOLOGY

The purpose of this audit was to determine if American complied with the reporting and payment provisions of its agreement with the Commission. To conduct the audit, we reviewed the applicable terms of the agreement and the adequacy of American's procedures for recording, summarizing, and reporting revenue aircraft landings. We tested on a sample basis whether American accurately reported its revenue aircraft landings and the maximum landing weights of aircraft landed at the SFO. For the audit period, we reviewed American's monthly reports submitted to the Airport. For selected months, we verified reported maximum landing weights of aircraft landed by American by reviewing aircraft operations manuals. To verify that American correctly reported its revenue and non-revenue aircraft landings, we examined monthly landing summaries for all months and some daily flight logs for selected months. For selected days, we analyzed aircraft landed by tail number to verify that American properly classified landings by aircraft type.

AUDIT RESULTS

AMERICAN CORRECTLY REPORTED ITS AIRCRAFT LANDINGS AND CORRECTLY PAID ITS FEES

From January 1, 1996 through December 31, 1998, in all material respects, American correctly reported 29,066 revenue aircraft landings and correctly paid $7,296,780 in landing fees to the Airport. Table 1 shows American's reported total revenue aircraft landings and landing fees paid to the Airport.

Table 1
Revenue Aircraft Landings and Fees Paid
January 1, 1996 through December 31, 1998

	Number of Landings	Landing Fees Paid
January 1, 1996 through June 30, 1996	4,611	$880,925
July 1, 1996 through June 30, 1997	9,259	2,082,338
July 1, 1997 through June 30, 1998	9,820	2,746,759
July 1, 1998 through December 31, 1998	5,376	1,586,758
TOTAL	29,066	$7,296,780

We conducted this review according to generally accepted government auditing standards. We limited our review to those areas specified in the audit scope section of this report.

Staff: Kathleen Lucey, Audit Manager
Lorena Marquez

cc: Mayor
Board of Supervisors
Civil Grand Jury
Public Library

CITY AND COUNTY OF SAN FRANCISCO

OFFICE OF THE CONTROLLER
AUDITS DIVISION

Edward Harrington
Controller

December 21, 1999

Terry Gwizadowski, Program Director
San Francisco Public Library
Government Information Center
100 Larkin Street
San Francisco, CA 94102

Dear Ms. Gwiazdowski:

Enclosed is our report concerning the concession audit of American Airlines. The report indicates that in all material respects, American Airlines correctly reported its landings and correctly paid the Airport $7,296,780 in landing fees.

Sincerely,

NORIAKI HIRASUNA
Director

Enclosure

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